

# Anchor Point Safewater Corporation

---

Assessment of Management Capacity Indicators

Glen Hamburg, LGS  
Rural Utility Business Advisor (RUBA) Program  
Division of Community and Regional Affairs  
Department of Commerce, Community, and Economic Development, State of Alaska  
March 24, 2014

# Introduction

---

The Anchor Point Safewater Corporation report was completed by Rural Utility Business Advisor program staff Glen Hamburg as a requirement for any proposed grant-funded sanitation project. The report was completed with the voluntary assistance of Corporation staff and based on information provided to the RUBA program. Specific documents provided by Corporation staff are in the Anchorage regional office for viewing if requested.

The goal of the RUBA Program is to help small communities implement utility management practices that will improve the utility's ability to provide safe drinking water to their communities on a sustainable basis. The RUBA assessment evaluates essential and sustainable indicators necessary for the managerial and financial health of the utility. These indicators are organized under the following sections:

- Utility Finance
- Accounting Systems
- Tax Problems
- Personnel System
- Organizational Management
- Operation of Utility

***Essential Indicators*** identify policies and practices that are critical to the short-term operation of a utility. ***Sustainable Indicators*** identify policies and practices that make a utility cost-effective to operate and increase the likelihood of long-term financial success.

The ***Essential Recommendations*** at the end of this assessment are limited to those items needed to meet deficient essential indicators. Only the essential indicators are required to be met under the grant conditions. The ***Sustainable Recommendations*** are intended to improve cost effectiveness and sustainability of the utility.

Anchor Point Safewater Corporation owns, operates, and manages the following sanitation services:

- A Class 1 water treatment plant
- An unclassified piped distribution system
- A bulk drinking water distribution point
- A standard use coin-operated drinking water distribution point

# Capacity Indicators

---

On February 19, 2014, RUBA staff Glen Hamburg met with Anchor Point Sewerwater Corporation staff to complete a RUBA Assessment of Management. Corporation staff provided documentation supporting the conclusions in this report. Specific documents used in this report include:

- CY13 profit and loss budget overview
- CY11, CY12, and CY13 profit and loss reports
- CY13 custom summary report
- Accounts receivable aging report as of January 29, 2014
- Current utility customer contact list
- Chart of accounts
- Anchor Point Sewerwater Corporation utility ordinances
- Board meeting packets and minutes from October 2011, February 2013, and June 2013
- 2012 and 2013 Consumer Confidence Reports (CCRs)
- Corporation articles of incorporation and bylaws
- Corporation personnel policies
- Tax clearances from IRS and Alaska Department of Labor and Workforce Development
- Proof of workers' compensation insurance coverage from Alaska Department of Labor and Workforce Development
- Operator certification information from Alaska Department of Environmental Conservation
- 2013 biennial report submitted to Alaska Department of Commerce, Community, and Economic Development, Division of Corporations, Business, and Professional Licensing
- Current organizational chart
- Service area map
- Photos of critical spare parts and inventory control lists
- Photos of preventative maintenance plans
- Photos of safety equipment on hand at treatment facility

## Utility Finance

### Essential Indicators

Yes	No	
<input type="checkbox"/>	<input checked="" type="checkbox"/>	All revenue and expenses for the utility are listed in the utility budget.
<input type="checkbox"/>	<input checked="" type="checkbox"/>	The utility has adopted a balanced realistic budget.
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Monthly financial reports are prepared and submitted to the policy making body.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility is current paying all water/wastewater electric bills.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has on hand a year's adequate fuel supply or it has a financial plan to purchase an adequate supply.
<input type="checkbox"/>	<input checked="" type="checkbox"/>	The utility is receiving revenues (user fees or other sources) sufficient to cover operating expenses.

---

### Sustainable Indicators

<input type="checkbox"/>	<input checked="" type="checkbox"/>	The utility is receiving revenues (user fees or other sources) sufficient to cover operating expenses and Repair and Replacement (R&R) costs.
<input type="checkbox"/>	<input checked="" type="checkbox"/>	YTD revenues are at a level equal to or above those budgeted.
<input type="checkbox"/>	<input checked="" type="checkbox"/>	YTD expenditures are at a level equal to or below those budgeted.
<input type="checkbox"/>	<input checked="" type="checkbox"/>	A monthly manager's report is prepared.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Budget amendments are completed and adopted as necessary.

Anchor Point Safewater Corporation's fiscal year follows the calendar year. Because the corporation has not adopted its CY14 budget, budget-related indicators in this section have been marked 'No'. It is also not possible without a budget to determine whether the revenues the corporation receives are sufficient to cover operating, repair, and replacement costs, and so those indicators are marked 'No'. Further, the corporation was not able to demonstrate at the time of the assessment that board members have, even in prior years, received financial reports comparing year-to-date actual incomes and expenses to budgeted amounts; therefore, the indicator concerning monthly financial reports has also been marked 'No'. RUBA staff has communicated the importance of an annual budget and of 'budget vs. actual' financial reports to corporation staff and is available to provide any assistance needed to draft and implement them.

Nonetheless, a CY13 profit and loss budget overview provided by the corporation shows that in the previous fiscal year income generated entirely by user fees and the sale of parts to customers was sufficient to cover operating expenses. The report also shows that the corporation tracks income sources and expenses by type, and that money has been spent on maintenance, repairs, training, building and workers' compensation insurance, payroll taxes, and routine water quality testing. RUBA staff has also confirmed with corporation staff that the utility is current in its own electrical bills and that funds are available to purchase necessary fuel.

A review of meeting minutes shows that the corporation's president, who serves as utility manager, does give comprehensive verbal reports at board meetings. However, those meetings typically only take place twice or three times a year, despite the corporation's bylaws requiring monthly meetings. The indicator related to monthly manager's reports has therefore been marked 'No'.

## Accounting Systems

### Essential Indicators

Yes No

- |                                     |                          |   |
|-------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has adopted a collection policy and actively follows it.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility bills customers on a regular basis.   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | An accounts receivable system is in place which tracks customers and reports past due accounts and amounts. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | An accounts payable system is in place.   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The payroll system correctly calculates payroll and keeps records.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | A cash receipt system is in place that records incoming money and what it was for.                          |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has a cash disbursement system that records how money was spent.                                |
- 

### Sustainable Indicators

- |                                     |                                     |   |
|-------------------------------------|-------------------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | A chart of accounts is used that identifies categories in a reasonable, usable manner.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | Monthly bank reconciliations have been completed for all utility accounts.  |
| <input type="checkbox"/>            | <input checked="" type="checkbox"/> | The utility has a purchasing system that requires approval prior to purchase, and the approval process compares proposed purchases to budgeted amounts. |

The corporation's standard use coin-operated watering point requires pre-payment. The nearly 60 customers who are either connected to the treatment plant with the limited piped distribution system or purchase bulk water for commercial delivery are billed monthly.

A January 2014 accounts receivable aging summary shows that 10 customers have balances more than 60 days past due, representing by one measure an 83 percent collection rate. However, nearly as many customers have pre-paid for their water service. As explained further in the 'Organizational Management' section of this assessment, the utility has effective utility bill collection, repayment, service termination, and reconnection policies outlined in its adopted utility ordinances. The utility's primary operator reported to RUBA staff that customers are indeed disconnected for lack of payment in accordance with these policies, though the need to do so is rare.

Customers have the option of paying their monthly bills by check, cash, or credit card, with some having opted for an automatic monthly credit card charges. Customers who make one-time payments are appropriately issued a receipt and payment verification is also available to customers enrolled in the auto-pay option. The primary operator is in charge of collecting the coins paid at the watering point and bringing them to the utility clerk's office for counting and deposit.

The corporation uses QuickBooks for all of its accounting functions, including the tracking of accounts receivable and payable, and processing payroll. The utility clerk has received formal QuickBooks and accountancy training, as noted later in this assessment.

Given the small size of the corporation and its limited staffing, the operator is authorized to make routine purchases independently using an issued debit card, with such purchases being reviewed by the utility manager and accounted for by the utility clerk against a comprehensive chart of accounts. A standard purchase order process is used for the acquisition of major items, such as new pumps for the treatment system. Because the corporation has not yet adopted its CY14 operating budget, the last sustainable indicator of this assessment is marked 'No'.

## Tax Problems

### Essential Indicators

Yes	No	NA	
<input checked="" type="checkbox"/>	<input type="checkbox"/>		The utility has a system to accurately calculate, track, and report payroll tax liabilities.
<input checked="" type="checkbox"/>	<input type="checkbox"/>		The utility is current on filing federal and state tax reports.
<input checked="" type="checkbox"/>	<input type="checkbox"/>		The utility is current on making federal and state tax deposits.
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	If there are any past tax liabilities or tax liens filed, a payment agreement has been signed and repayments are current.

Anchor Point Safewater Corporation's contracted accountant at Aurora Taxes and Accounting uses QuickBooks for its tax processes. A case advocate with the IRS's taxpayer advocacy service confirmed on February 20, 2014 that Anchor Point Safewater Corporation was in compliance with federal tax reporting and deposit requirements and that there were no recorded notice of federal tax lien against the corporation. The Alaska Department of Labor and Workforce Development also granted the corporation employment security tax clearance on February 3, 2014. The corporation is not listed on the most recent Lien Watch report.

## Personnel System

### Essential Indicators

Yes	No	
<input type="checkbox"/>	<input checked="" type="checkbox"/>	The utility has a posted workers compensation insurance policy in effect.

### Sustainable Indicators

<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adopted and uses a personnel policy, which has been reviewed by an attorney, AML, or DCCED for topics and language.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adequate written job descriptions for all positions.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adopted and follows a written personnel evaluation process that ties the job description to the evaluation.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has an adequate written hiring process.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has personnel folders on every employee that contain at least: I-9, Job Application and Letter of Acceptance.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has a probationary period for new hires that includes orientation, job-training/oversight, and evaluations.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility provides training opportunities to staff as needed and available.

RUBA staff confirmed on February 20, 2014 that Anchor Point Safewater Corporation has a valid workers' compensation insurance policy with Alaska National Insurance Company. However, the corporation's president acknowledged that proof of coverage is not posted in three places of employment as required by state law. Until proof of coverage is posted as required, this section's essential indicator is labeled 'No'.

The corporation has adopted and continues to enforce a comprehensive 'Personnel Policies and Procedures Manual' which must be read and acknowledged with a signature by new employees, as well as by the employee's supervisor. The manual addresses all important personnel matters, including the corporation's hiring policy, conditions of employment, compensation, evaluation, discipline, grievances, benefits, travel and training, safety, and other specific personnel rules and regulations such as conflicts of interest and drug and alcohol use. In accordance with the policy, new hires are placed on a 120-day probationary period and then given a performance evaluation. Continuing employees also receive formal evaluations based on their job descriptions.

The Chapter 4, Sections 1-4 of the corporation's bylaws also define the duties of officers, including the president, vice president, secretary, and treasurer.

A new hire checklist helps to ensure that all employees complete an Immigration I-9 form, a W4, and a hiring agreement, all of which are maintained in secure employee files.

Employees are given ample opportunity to receive necessary training, as evidenced by the utility manager, primary operator, and utility clerk all having attended at least one RUBA utility management course and by the primary and back-up operators attending pre-certification classes. In CY13, the corporation reports having spent more than \$4,300 on employee travel and training.

## Organizational Management

### Essential Indicators

Yes	No	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The entity that owns the utility is known and the entity that will operate the utility is set.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The policy making body is active in policy making of the utility.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The policy making body enforces utility policy.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has an adequately trained manager.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has an adequately trained bookkeeper.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has an adequately trained operator(s).
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adopted the necessary ordinances (or rules and regulations) necessary to give it the authority to operate.

---

### Sustainable Indicators

<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adopted an organizational chart that reflects the current structure.
<input type="checkbox"/>	<input checked="" type="checkbox"/>	The policy making body meets as required.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility complies with the Open Meeting Act for all meetings.

Anchor Point Safewater Corporation is a non-profit corporation which organized in 1989 under Title 10, Chapter 20 of state statute. According to its articles of incorporation, its purpose is to “engage in the design, construction, ownership, and management of a sanitation facility” in Anchor Point in the absence of a city government. The articles state, however, that should Anchor Point ever incorporate as a city, the non-profit will dissolve and the city will assume ownership and operation and management powers over the sanitation utilities.

Section 4.1 of the corporations ‘Utility Ordinance for Water Services’ states further identifies that the purpose of the corporation is to protect public health and provide safe drinking water to the community. Section 4.2 clarifies the corporation as the owner of the utility and proceeding sections the utility’s philosophy and responsibilities, customer responsibilities, service fee billing and collection policies, termination of service conditions, repayment plans, and safety, as well as other important management topics. The corporation fully enforces its utility ordinance, shutting off customers for lack of payment as required.

The corporation’s board of directors is the utility’s governing body. Copies of its meeting minutes and packets show that that when it does meet it is actively involved in policy-making for the utility; they demonstrate that the board reviews the need for utility rate increases, the acquisition of system parts, the status of grants, regulation compliance, usage levels, operators’ certification progress, maintenance needs, and other issues.

Though the corporation's bylaws require the board meet once per month, as mentioned previously, it typically only meets twice or three times for year. RUBA staff has explained the value of meeting more regularly and of amending corporation bylaws so that they require a meeting schedule appropriate for the utility. When the utility does meet, it posts notices in advance in at least three places, including at the store, the post office, and other community facilities.

The corporation's president, who serves as the utility manager, and its contracted utility clerk are both professional accountants. They, as well as the primary operator, have completed various RUBA utility management courses. The utility clerk is also provisionally certified in water treatment and serves as the backup operator. The primary operator holds Class 2 water treatment certification expiring at the end of 2015, but has already met Continued Education Unity (CEU) requirements. These staff are identified in an organizational chart which is included in the back of the corporation's utility ordinance.

## Operation of Utility

### Essential Indicators

Yes No

- |                                     |                          |   |
|-------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility operator(s) are actively working towards necessary certification.                     |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has a preventative maintenance plan developed for the existing sanitation facilities. |

### Sustainable Indicators

- |                                     |                                     |   |
|-------------------------------------|-------------------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | The manager receives a monthly O&M report from the utility operator and routinely "spot checks" the facilities to see that the maintenance items are being completed. |
| <input type="checkbox"/>            | <input checked="" type="checkbox"/> | The utility has a safety manual and holds safety meetings.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | Utility facilities have not suffered any major problems/outages due to management issues that are still unresolved.   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | The utility is operating at the level of service that was proposed.   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | The operator provides status reports to the manager on a routine basis.   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | The utility has completed and distributed its <u>Consumer Confidence Report</u> (CCR).  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | The utility meets all required regulations (is not on the <u>Significant Non-Compliance</u> (SNC) list).  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | The utility maintains an inventory control list.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | The utility maintains a critical spare parts list.  |

The primary operator is fully certified and two backup operators hold provisional certification. Preventative maintenance plans, as well as inventory control and critical spare parts lists, are maintained in organized binders at the water treatment plant.

The corporation president makes occasional visits to the treatment plant, regularly visits the contracted accountant's office, and is in continual communication with the operator and utility clerk. Staff discuss safety issues as they present themselves and a safety manual and safety equipment are on hand; however, regular formal safety meetings are not held and documented.

The utility has not suffered service outages because of management issues, is not listed on the most recent Significant Non-Complier (SNC) list, and continues to operate at the level of service promised in its utility ordinance. RUBA staff received copies of the last two years' Consumer Confidence Reports given to utility customers and submitted to the Alaska Department of Environmental Conservation.



---

## Essential Recommendations

---

Anchor Point Safewater Corporation has not met all of the essential capacity indicators. In order to meet them, the utility must take the following actions:

- adopt a balanced, realistic annual budget that shows income sources as sufficient to cover operating expenses;
- include financial reports which compare actual income and expense values to budgeted amounts in monthly board meeting packets; and
- post proof of workers' compensation insurance coverage in three places of employment.

---

## Sustainable Recommendations

---

In addition to the Essential Recommendations, the city can work to improve Sustainable Indicators in the 'Organizational Management' and 'Operation of Utility' sections of this assessment.

It is recommended that:

- the adopted budget allocated funds for utility repair and replacement costs;
- the corporation ensure that an adopted budget is always reviewed before purchases are made;
- the board of directors meet at least once per month as required by its bylaws;
- a manager's report be included in these monthly meetings; and
- utility staff hold and document formal monthly safety meetings.

---

## Conclusion and Next Step

---

By implementing these recommendations, Anchor Point Safewater Corporation will put itself into position to better ensure the financial viability of their sanitation services and avoid interruptions in those services.

Corporation staff were open and helpful with providing information to complete this assessment. They realize the importance of community health, financial stability, effective utility management practice, and sustainability.

RUBA staff is available to provide assistance for any sustainable capacity indicators that are not being met.